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Neighbors 'Shocked' by Spy Charges

By ROBERT D. McFADDEN

Richard Craig Smith, the former military counterintelligence agent arrested on charges of selling secrets to the Soviet Union, seemed to be a good family man, a respected Mormon Church official and an upstanding citizen, according to stunned friends in Utah.

But since leaving Government service in 1980, the 40-year-old father of four has had several business reverses that prompted him to borrow heavily and to declare bankruptcy in 1982, four months before he allegedly accepted \$11,000 from an agent of the K.G.B., the Soviet state security agency.

Mr. Smith was being held without bail pending a hearing next Friday in Federal District Court in Alexandria, Va. He was accused of meeting the K.G.B. agent, Victor I. Okunev, in Tokyo on Nov. 7, 1982, and of selling top-secret information about a double-agent operation known as "Royal Miter." The offense is punishable by life in prison.

The Federal Bureau of Investigation, whose agents arrested Mr. Smith at Dulles International Airport near Washington Tuesday, declined to comment on the case, which has raised concern over the safety of some agents of the Army Intelligence and Security Command, charged with protecting the Army from foreign spies.

'A Real Shock'

But interviews Thursday with friends in the Salt Lake City area, where he was born and raised, and F.B.I. documents filed in the case, portrayed Mr. Smith as a man of apparent contradictions — a hard-working, respected family and church man bedeviled by espionage activities, international intrigue and multimillion-dollar business deals.

"It's a real shock for us in the neighborhood," said Kent Smith, a former business associate and next-door neighbor who is not related to the suspect. "He was well liked. We thought he was a good family man, a good father. He's

a nice guy. I guess he got behind the eight ball financially."

Mr. Smith grew up in Utah, the son of Hyrum and Dorothy Smith. Hyrum Smith, now retired in Bellevue, Wash., was for many years a bishop of the Mormon Church. According to an F.B.I. affidavit, Mr. Smith joined the Army in 1967 and rose to the rank of staff sergeant before switching to civilian employment with the Army in 1975.

In Charge of Double Agents

From July 1973 to January 1980, when he left Government service, Mr. Smith worked for the Army Intelligence and Security Command. When he left, he was in charge of double-agent operations and had top-secret security clearance.

During his counterintelligence service, from October 1976 to July 1978, Mr. Smith was a case officer in "Royal Miter," a double-agent operation aimed at learning the identity of

K.G.B. officers engaged in espionage against the United States.

After leaving Government service, Mr. Smith settled in North Salt Lake, near Salt Lake City, and founded Time-Span, Inc., a concern that created videotapes. The venture failed and Mr. Smith filed for bankruptcy on July 14, 1982.

In 1981 and 1982, Mr. Smith also served as a consultant to AFCO Enterprises, a development and investment concern involved in Utah real estate, securities and other interests.

Negotiated Loan From Japanese

Mr. Smith was sent by AFCO to negotiate a \$15 million loan from Japanese investors. Despite the success of the negotiations, AFCO went bankrupt last year and its principal officer, Grant C. Affleck, was indicted by a Federal Grand Jury in Salt Lake City last September on 11 counts of fraud. Mr. Smith was not indicted, but his friends said he fell into debt and borrowed heavily in 1982 and 1983.

It was apparently while he was in Japan for AFCO that Mr. Smith went to the Soviet commercial compound in Tokyo and, according to the F.B.I., sold Mr. Okunev enough information to identify a double-agent who was ostensibly working for the Russians but who was actually helping Americans learn the identity of K.G.B. agents.

"For \$11,000, he wouldn't sell his soul down the river," said Kent Smith, the suspect's friend and neighbor.

'A Dirty Provocation'

TOKYO, April 6 (AP) — American charges that Mr. Smith sold secret information to the Soviet Government were "a dirty provocation," a Soviet official said today.

"The information from Washington is a pure provocation, a dirty provocation and the aim of it is quite clear: To worsen the relations between Japan and the Soviet Union," said Pavel N. Kotsuyba, a counselor at the Soviet Embassy in Tokyo.